

The Columbia-CSIS Program in International Economic Institution Building in a Global Society

PEG Annual Report 2001

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I. Background

The *CSIS-Columbia Program in Indonesian Economic Institution Building in a Global Economy* is an economic research and policy-oriented program. It is designed to provide policy-relevant, qualitative and quantitative analysis and policy recommendations to facilitate the sound development of Indonesia's economic reform agenda in the wake of the Asian financial crisis, the changes in political regime toward a more democratic one, and global changes.

The Program focuses on four areas of reform: *Next steps in liberalization of Indonesia's trade regime; Steps to Support a Positive Investment Environment; Competition law and policies; and Corporate governance.* The Columbia-CSIS team, comprised of both lawyers and economists, developed policy oriented papers in each of these four areas. Several sectoral analyses (on banking, telecommunication and power) have also been prepared. As of this writing, near final drafts have been prepared in all areas and are circulating for comment and review. This broad-ranging Program is designed to offer cross-cutting, comparative and interdisciplinary analyses in these areas.

II. Policy Impact and Highlights

Conference, Workshops and other Meetings

In the second year of the Program, senior researchers have already participated *together* in 7 significant outreach activities in Jakarta and in the United States.

- On April 23, 2001, a workshop on Policies for Indonesian Economic Institution Building was held at Columbia University, New York. Five members of the CSIS team participated in this workshop and all members of the Columbia team were present. In addition, a select group of outside experts was invited to participate in the discussions and comment on drafts. The CSIS and Columbia team also held a half-day meeting to discuss progress on the draft papers and to plan the remaining activities and finalization of the papers (See 2nd quarterly report).
- In May 2001, two workshops on banking and Corporate Governance were conducted by the CSIS team along with Hugh Patrick from Columbia team. These workshops were also attended by the Indonesian business, policy, academic and journalistic communities (See 2nd quarterly report).
- On July 31, 2001, the Indonesian research team held a workshop entitled, "Indonesian Economic Institution Building in a Global Economy: The Case of Telecommunication Industry" at the CSIS Building, Jakarta. The main focus of the workshop was competition in the Internet Service Providers (ISP) Industry in Indonesia. Approximately 100 participants attended the workshop from the telecommunication industry, such as the Association of Internet Service Providers, the Indonesian Information and Communication Society, as well as academics and observers of the telecommunication industry. The

workshop was opened by Hadi Soesastro, followed by a presentation from the Indonesian Research Team, represented by Haryo Aswicahyono. The paper entitled “Desperately Seeking Access: Competition in the ISP Industry in Indonesia,” focused on competition behavior among ISPs in Indonesia and the importance of the role of PT Telkom as the major supplier of the input for the ISP industry. Panelists were invited from ISP business practitioners, PT Telkom, the government and academics to comment on the main paper, however, several issues remain unresolved, among others, the existing monopoly by PT Telkom and the need for an independent regulatory body to ensure fair competition in the ISP industry. Steve Magiera and Martin Taschdjian from the USAID-PEG Project on Competition in Telecommunication Industry closed the session, followed by summary remarks by Mari Pangestu.

- On August 13, 2001, the CSIS-Columbia team held a Workshop entitled, “Indonesian Economic Institution Building in a Global Economy: Competition Policy and Institutional Development” at the Borobudur Hotel, Jakarta. At this workshop, two main papers were presented. The first one was by the CSIS team, which was presented by Mari Pangestu and Haryo Aswicahyono. The paper was entitled “*Competition Policy and Institutional Development: Towards a Comprehensive Competition Framework.*” Eleanor Fox from the Columbia University team presented the second paper, which is a comprehensive discussion on the Indonesian Competition Law. The two main papers were discussed by a number of panelists, who are mostly experts and academics on competition policy, including a member of the Competition Commission, foreign funded projects on competition policy and also prominent businessmen and representative of the SME. Over 150 participants attended this workshop.
- On August 14, 2001, the CSIS-Columbia team held a workshop entitled, “Indonesian Economic Institution Building in a Global Economy: Investment Policy and Institutional Development” at the Borobudur Hotel, Jakarta. Two main papers were presented in this workshop. The first one was by Hadi Soesastro and Thee Kian Wie from the CSIS team, entitled, “Formulating a Comprehensive Investment Policy for Indonesia in a Competitive Environment.” The second paper was presented by Edward M. Graham from the Columbia University team, entitled, “Foreign Direct Investment in Indonesia: Problems and Prospects.” The two main papers were discussed by a number of panelists, who are mostly experts on investment, foreign investors and also prominent businessmen. Over 125 participants attended this workshop.
- On September 6, 2001, the CSIS-Columbia team held a workshop entitled, “Indonesian Economic Institution Building in a Global Economy: Corporate Governance Reform” at the Borobudur Hotel, Jakarta. At this workshop, two main papers were presented. The first one was from the CSIS team, which was presented by Djisman Simanjuntak. The second one is Hugh Patrick’s paper, which was presented by Mari Pangestu. The two main papers were discussed by a number of panelists, with various backgrounds, such as the government regulators, (i.e. Jakarta Stock Exchange and Bapepam), the banking sector, foreign consulting companies and the Asian Development Bank. Approximately 130 participants attended this workshop.

- On September 11, 2001, the power sector case study team held a workshop entitled, “Indonesian Economic Institution Building in a Global Economy: Towards a Competitive Power Sector” at the CSIS Building, Jakarta. The purpose of this workshop was to get inputs for the power sector case study paper. The workshop was attended by approximately 120 participants from the society of electricity specialists, energy specialists, the Ministry of Mining and Energy, PLN, as well as the corporate sector. The workshop was opened by an address from the Minister of Mining and Energy, Purnomo Yusgiantoro. The Minister also entertained a few questions from the floor. The workshop consisted of two parts. The first part comprised of a presentation of the main paper, which was made by Raymond Atje. The paper was entitled, “Restructuring Indonesia’s Power Sector: Issues and Challenges.” This was followed by comments from Wicak Purnomo from the Consumer Protection Foundation (YLKI) and Ariono Abdulkadir from The Foundation of Indonesian Institute for Energy Economics. The second part of the workshop discussed the topic, “Institutional Capacity Building in The Power Sector”. Presentations were made by Director Generals of the key government regulators in the power sector, including PLN, the State-Owned Enterprises that handles the power sector. This was followed by an intensive question and answer session.
- On November 13, 2001, the CSIS-Columbia team held a workshop entitled, “Indonesian Economic Institution Building in a Global Economy: Promoting Competition Based Trade Policies” at the Borobudur Hotel, Jakarta. On this workshop, two main papers were presented, both from the CSIS team. The first one was by Hassan Kartadjoemena, entitled “Indonesia and the WTO” and the second one was by Tubagus Feridhanusetyawan, which bore the title, “Indonesia’s Trade Policy and Performance: An Overview.” The two main papers were discussed by a number of panelists, including exporters of large and small medium scale product, as well as academicians and trade analysts. Approximately 100 participants attended this workshop.
- On November 13, 2001, the CSIS-Columbia team held a workshop entitled, “Indonesia Economic Institution Building in a Global Economy: The Future of Indonesian Banking Industry” at the Borobudur Hotel, Jakarta. Mari Pangestu presented the main paper, “The Boom, Bust and Restructuring of the Indonesian Banking Industry,” which is a work of herself and Manggi Habib. This paper was discussed and given comments by a number of panelists, including representatives from: Bank Indonesia, Indonesian Bank Restructuring Agency (IBRA), the Indonesian State Bank Association, as well as domestic bankers and foreign bankers. Over 150 participants attended this workshop.

Other than the conferences and workshops organized under the umbrella of the PEG project, there have also been related conferences organized by both organizations or that have included researchers from institutions, and that have served as vehicles for disseminating our ideas. This has been useful both to disseminate ideas and obtain feedback. There have also been a variety of meetings with individual business, policy and other individuals related to various areas of our Program.

Press Releases, Studies and Reports

Overall, the Program has achieved a degree of visibility both in Jakarta and in the United States. The meeting in May was widely covered in the Press and the researchers have also been regularly interviewed on related issues which enables them to comment on the issues relevant to the project.

At this stage, the main output is a set of draft policy papers which have not been released, but researchers have discussed the draft paper with each other as well as with experts, resource persons and policy makers in both countries. The papers have been the basis of a major conference in January 2002.

Policy Dialogue with Stakeholders

Team members have been able to undertake policy discussions on a variety of issues. The research underway with respect to sectoral matters has been particularly fruitful. Researchers have discussed their ideas and tentative conclusions with senior officials at the Ministry of Industry and Trade. Researchers have also met with relevant officials from other agencies such as the newly formed competition agency, the Board of Investment and the Ministry of Finance. For example, Dr. Hadi Soesastro from CSIS was a member of the National Economic Council and had direct access to policy makers. The Program's resource people are all closely linked to the bank and corporate debt restructuring activities as advisers or occupy other functional positions.

Collaboration Activities

CSIS has hosted two of summer interns from Columbia University in the 2000-2001 period, who were able to make very solid contributions to the Program. In general, the modus operandi has been that the Indonesian researchers undertake analysis of the Indonesian situation while the US-based researchers offer comparative perspectives and commentary. The interns have also accompanied CSIS researches on interviews and collaborated on research.

III. Achievements Compared to Plan

All of the meetings and outreach activities in the United States and in Jakarta have attracted high level participants and a high degree of visibility for the Program. It has resulted in sustained and intensive discussions with policy makers, business executives and journalists about necessary reform measures for Indonesia in the medium term. For example:

- o There appears to be some receptivity to the work underway in the Program. For example, officials in the Ministry of Trade and in the KPPU have indicated their interest in these sectoral analyses.

- o The team was gratified with the vice chairman of the Indonesia competition authority indicated that he found the October 18 workshop report to be extremely valuable and indicated his interest in undertaking other comparable events. Indeed, he participated in a further event in October 2001.

In a word, collaboration between members have the team have been successful and interesting, and meetings with other experts in Indonesia and the United States have been very positive and constructive. A solid foundation has been laid for advancing our work as the Program enters its second year.

These positive activities and ongoing relations notwithstanding it is also important to acknowledge the serious problems that face Indonesia at the current time. Economic growth has resumed in Indonesia but policy making and economic leadership continues to be in a troubled state. Economic decision makers are managing immediate crises, (e.g., extension of IMF loans, etc), but serious problems remain. IBRA asset sales have been very slow. Reform efforts often appear more symbolic than meaningful--e.g., new laws are being promulgated in many areas but have little discernible effect. There have been changes in Ministers and senior officials, adding further uncertainty to the economic policy environment. In this environment, it becomes more difficult to assess actual or potential policy impact. Moreover, establishing meaningful policy dialogue with decision makers, which is one central purpose of the USAID grant, is less meaningful an objective than it might appear to be in other environments or at other times.

As a result, the target group for the Program has changed in emphasis to include influential non-governmental individuals and institutions such as civil society organizations, think tanks, members of the parliament and so on. It is our judgment that the pressure for further economic reforms along with open and competitive markets will come from ensuring that there is pressure keep on the government itself from these outside organizations and institutions.

The areas of focus in this Program remain extremely important to the health and well being of the Indonesian economy now and in the future. And, the interest in the Columbia-CSIS project appears high, particularly in those sectors that are undergoing substantial regulatory reform. It is our belief that the various outreach programs have added greatly to the public dialogue about necessary reforms. Reciprocity to program ideas has increased.

	Policy workshops conferences, etc.	Press articles	Policy dialogue	Collaborations, with I/O and others	policy studies, memoranda, draft laws etc	additional non - USAID funding leveraged
Actual 2001	7		15	15	28	
Plan 2001	2	1	3	5	12	//